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**CONSIDERATIONS  
WHEN CHANGING ENTERPRISES**

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# CONSIDERATIONS WHEN CHANGING ENTERPRISES

- \* Goals and objectives

- \* Income targets

- \* Labor

- \* Other resources:

  - Land

  - Investment capital

  - Financial reserves

# **PHYSICAL FEASIBILITY**

**Can the crop be raised?**

- \* Soil suitable?**

- \* Climate favorable?**

# **ECONOMIC FEASIBILITY**

**Will proposed acreage  
yield necessary income?**

# MARKET POTENTIAL

- \* How much can be sold?
- \* What price is possible?
- \* What alternative outlets exist?
- \* Can you sell directly to consumers?
- \* Is processing required?
- \* How much can the market absorb?
- \* How perishable is it?

# ENTERPRISE BUDGET

Returns  
- Costs

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Net income (profit)

Price  
x Quantity sold

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Gross returns

# **COSTS**

## **Variable**

- \* Feed**
- \* Seed**
- \* Fertilizer**
- \* Chemicals**
- \* Fuel**
- \* Repairs**
- \* Hired labor**
- \* Supplies**
- \* Interest on operating loans**

## **Fixed**

- \* Depreciation**
- \* Taxes**
- \* Insurance**
- \* Interest**



# CASH VS. NON-CASH COSTS

## Cash

- \* Variable - fuel
- \* Fixed - property insurance

## Non-cash

- \* Machinery/labor

# **SOURCES OF BUDGET INFORMATION**

- \* Extension agents**
- \* Extension specialists**
- \* Field representatives**
- \* Input suppliers**
- \* Agricultural consultants**
- \* Agricultural lenders**
- \* Other growers**
- \* Farmer's records**

# QUESTIONS ABOUT RETURNS

- \* Percentage harvested?
- \* Quality level?
- \* Quality/price relationships?
- \* Products utilized at highest returns?
- \* Mix between fresh/processed?
- \* Risk involved?
- \* Sharing marketing/processing with others?

# GROSS-MARGIN ANALYSIS

$$\text{Gross Margin Value} = (P \cdot Y) - VC$$

Where:

P = Expected price

Y = Expected yield

VC = Variable costs

# OTHER FACTORS

- \* Risk
- \* Crop rotation requirements
- \* Economies of scale
- \* Farm programs
- \* Resource limitations
- \* Personal preferences

# PLANNING PROCESS

- \* Setting objectives and goals
- \* Inventorying resources/  
determining  
feasibility
- \* Assessing markets
- \* Budgeting
- \* Evaluating the decision